

Interim Report

Lassonde Industries Inc.

Second Quarter
Ended June 29, 2024



Lassonde

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Interim Condensed Consolidated Statements of Income

(in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

	Note	Second quarters ended		First six months ended	
		June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
		\$	\$	\$	\$
Sales		624,668	579,435	1,194,511	1,126,746
Cost of sales		448,930	427,118	869,197	837,804
Gross profit		175,738	152,317	325,314	288,942
Selling and administrative expenses		125,703	110,968	240,703	221,350
Operating profit		50,035	41,349	84,611	67,592
Share in the profit or (loss) of an associate		–	(872)	–	(1,131)
Financial expenses	4	4,580	4,761	8,489	8,780
Other (gains) losses	5	(94)	269	(2,020)	(1,857)
Profit before income taxes		45,549	35,447	78,142	59,538
Income tax expense	6	12,726	9,702	21,652	16,148
Profit		32,823	25,745	56,490	43,390
Attributable to:					
Corporation's shareholders		33,521	25,090	57,361	42,199
Non-controlling interests		(698)	655	(871)	1,191
		32,823	25,745	56,490	43,390
Basic and diluted earnings per share (in \$)		4.91	3.68	8.41	6.19
Weighted average number of shares outstanding (in thousands)		6,822	6,822	6,822	6,822

Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of Canadian dollars)

(unaudited)

	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Profit	32,823	25,745	56,490	43,390
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss:				
Net change in the cash flow hedge of financial assets and liabilities				
Gains (losses) on financial instruments designated as hedges	198	622	719	627
Reclassification of (gains) losses on financial instruments designated as hedges	(229)	–	(414)	(833)
Income tax expense	10	(158)	(78)	55
	(21)	464	227	(151)
Exchange difference on translating foreign operations	6,281	(13,293)	21,012	(13,848)
	6,260	(12,829)	21,239	(13,999)
Items that will not be reclassified subsequently to profit or loss:				
Net change in the cash flow hedge of non-financial assets				
Gains (losses) on financial instruments designated as hedges	5,389	(3,331)	16,942	(2,855)
Income tax expense	(1,404)	874	(4,435)	756
	3,985	(2,457)	12,507	(2,099)
Benefit cost of the defined benefit plans				
Remeasurements of the net defined benefit asset or liability	(352)	86	(4,107)	(822)
Income tax expense	94	(23)	1,096	219
	(258)	63	(3,011)	(603)
	3,727	(2,394)	9,496	(2,702)
Total other comprehensive income (loss)	9,987	(15,223)	30,735	(16,701)
Comprehensive income	42,810	10,522	87,225	26,689
Attributable to:				
Corporation's shareholders	42,721	11,159	85,573	26,835
Non-controlling interests	89	(637)	1,652	(146)
	42,810	10,522	87,225	26,689

Interim Condensed Consolidated Statements of Financial Position*(in thousands of Canadian dollars)**(unaudited)*

	Note	As at June 29, 2024	As at Dec. 31, 2023
		\$	\$
Assets			
Current			
Cash and cash equivalents		10,767	19,842
Accounts receivable	8	201,825	188,321
Income tax recoverable		6,267	4,206
Inventories		393,390	386,619
Derivative instruments		5,272	173
Other current assets		36,179	37,479
		653,700	636,640
Derivative instruments		152	74
Property, plant and equipment		543,232	500,821
Intangible assets		182,797	184,560
Net defined benefit asset		17,682	21,957
Deferred tax assets		2,056	–
Other non-current assets		532	757
Goodwill		331,431	320,895
		1,731,582	1,665,704
Liabilities			
Current			
Bank overdraft		355	4,030
Accounts payable and accrued liabilities	9	320,701	330,412
Income tax payable		7,735	7,066
Derivative instruments		2,233	6,425
Other current liabilities		8,219	5,716
Current portion of long-term debt		27,410	18,525
		366,653	372,174
Long-term debt		183,893	191,995
Long-term incentive plan liabilities		7,045	5,323
Pension plan liabilities		988	830
Deferred tax liabilities		108,368	99,480
		666,947	669,802
Shareholders' equity			
Equity attributable to the Corporation's shareholders		989,722	922,570
Non-controlling interests		74,913	73,332
		1,064,635	995,902
		1,731,582	1,665,704

Approved by the Board of Directors



Pierre-Paul Lassonde
Director



Chantal Bélanger
Director

Interim Condensed Consolidated Statements of Shareholders' Equity*(in thousands of Canadian dollars)**(unaudited)*

	Equity attributable to the Corporation's shareholders				Non-controlling interests	Total shareholders' equity
	Share capital	Contributed surplus	Accumulated other reserves ⁱ⁾	Retained earnings		
	\$	\$	\$	\$	\$	\$
Balance as at December 31, 2023	46,660	1,360	73,777	800,773	73,332	995,902
Profit	–	–	–	57,361	(871)	56,490
Other comprehensive income (loss)	–	–	31,223	(3,011)	2,523	30,735
Transfer to non-financial assets ⁱⁱ⁾	–	–	(4,778)	–	(71)	(4,849)
Dividends	–	–	–	(13,643)	–	(13,643)
Balance as at June 29, 2024	46,660	1,360	100,222	841,480	74,913	1,064,635
Balance as at December 31, 2022	46,660	1,360	94,102	735,044	60,401	937,567
Profit	–	–	–	42,199	1,191	43,390
Other comprehensive income (loss)	–	–	(14,761)	(603)	(1,337)	(16,701)
Transfer to non-financial assets ⁱⁱ⁾	–	–	(3,307)	–	(33)	(3,340)
Dividends	–	–	–	(8,181)	–	(8,181)
Balance as at July 1, 2023	46,660	1,360	76,034	768,459	60,222	952,735

i) Includes the hedging reserve and the foreign currency translation reserve.

ii) Transfer of cash flow hedge (gains) losses to non-financial assets.

Additional information about shareholders' equity is presented in Note 10.

Interim Condensed Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)
(unaudited)

	Note	First six months ended	
		June 29, 2024	July 1, 2023
		\$	\$
Operating activities			
Profit		56,490	43,390
Adjustments:			
Income tax expense	6	21,652	16,148
Net interest expense	4	8,005	8,338
Depreciation of property, plant and equipment and amortization of intangible assets		32,476	30,481
(Gains) losses on capital assets		(22)	410
Change in the fair value of financial instruments		(1,468)	(55)
Cost of the long-term incentive plan, net of payments		1,173	1,442
Cost of pension plans recognized in profit or loss, net of contributions		326	(95)
Share in the (profit) or loss of an associate		–	1,131
Unrealized foreign exchange (gains) losses		473	(1,330)
Other		–	49
		119,105	99,909
Change in non-cash operating working capital items	11	(26,239)	(11,576)
Net income tax paid		(19,469)	(10,892)
Net interest paid		(7,796)	(5,959)
Settlements of derivative instruments		5,068	(386)
		70,669	71,096
Financing activities			
Change in revolving operating credit, net of transaction costs		(1,124)	(13,183)
Repayment of long-term debt		(4,036)	(4,298)
Dividends paid on Class A shares		(6,138)	(3,678)
Dividends paid on Class B shares		(7,505)	(4,503)
		(18,803)	(25,662)
Investing activities			
Net acquisition of property, plant and equipment		(51,628)	(37,336)
Acquisition of intangible assets		(5,605)	(4,222)
		(57,233)	(41,558)
Change in cash and cash equivalents		(5,367)	3,876
Cash and cash equivalents at beginning		15,812	(1,710)
Effect of exchange rate changes on cash and cash equivalents		(33)	(99)
Cash and cash equivalents at end		10,412	2,067

Additional cash flow information is presented in Note 11.

Notes to the Interim Condensed Consolidated Financial Statements

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Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

Note 1. Description of the Corporation

Lassonde Industries Inc. is incorporated under the *Canada Business Corporations Act*. Its Class A subordinate voting shares are listed on the Toronto Stock Exchange under the ticker symbol LAS.A. The head office is located at 755 Principale Street in Rougemont, Québec, Canada.

Lassonde Industries Inc. and its subsidiaries (collectively, “the Corporation”) is a leader in the food and beverages industry in North America. The Corporation develops, manufactures, and markets a wide range of private label and national brand products, including ready-to-drink beverages, fruit-based snacks as well as frozen juice concentrates. It is also a leading producer of cranberry sauces and specialty food products such as pasta sauces, BBQ sauces, condiments, soups and fondue broths and sauces. The Corporation also produces, imports and markets selected wines from several countries of origin and produces and markets apple cider and cider-based drinks.

The Corporation’s national brands are sold in various packages under several proprietary trademarks as well as under trademarks for which the Corporation is a licensed user. The Corporation also manufactures private label products for the vast majority of major retailers and wholesalers in North America.

Note 2. Statement of Compliance

The Corporation’s interim condensed consolidated financial statements have been prepared in compliance with IAS 34 *Interim Financial Reporting* and using the same accounting policies as those described in the Corporation’s annual consolidated financial statements for the year ended December 31, 2023. The Corporation’s annual consolidated financial statements for the year ended December 31, 2023 were prepared in compliance with International Financial Reporting Standards (“IFRS”).

These interim condensed consolidated financial statements do not include all of the information required under IFRS for complete financial statements, and they should therefore be read in conjunction with the Corporation’s annual consolidated financial statements for the year ended December 31, 2023. The Corporation’s interim condensed consolidated financial statements and annual consolidated financial statements are available on the SEDAR+ website at www.sedarplus.ca and on the Corporation’s website at www.lassonde.com.

The Board of Directors approved these interim condensed consolidated financial statements on August 8, 2024.

Note 3. Adoption of IFRS Standards

3.1 IAS 1 Presentation of Financial Statements

On January 1, 2024, the Corporation adopted the amended version of IAS 1 *Presentation of Financial Statements*, which establishes a more general liability classification approach based on an analysis of existing contracts at the reporting date and clarifies the classification of borrowings and other financial liabilities that have covenants with which an entity must comply.

The adoption of the amended version of this standard had no impact on the Corporation’s consolidated financial statements.

3.2 Supplier finance arrangements

On January 1, 2024, the Corporation adopted the amended versions of IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*, which add disclosure requirements and clarify existing disclosure requirements requiring qualitative and quantitative information to be provided on supplier finance arrangements.

The adoption of the amended version of these standards had no impact on the Corporation’s consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 4. Financial Expenses

	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Interest on long-term debt	3,786	3,986	6,854	7,009
Interest on lease liabilities	593	404	1,224	776
Amortization of transaction costs	73	135	174	507
Other interest, net of interest income	(155)	(9)	(247)	46
Net interest expense	4,297	4,516	8,005	8,338
Bank expenses	283	245	484	442
	4,580	4,761	8,489	8,780

Note 5. Other (Gains) Losses

	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Exchange (gains) losses	(327)	276	(1,586)	222
Change in the fair value of derivative instruments	270	(7)	(58)	18
Other ⁱ⁾	(37)	–	(376)	(2,097)
	(94)	269	(2,020)	(1,857)

i) During the first six months ended July 1, 2023, the amount represents a gain related to the preliminary settlement of an insurance claim resulting from property damage to a building in the United States.

Note 6. Income Tax Expense

	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Current tax	11,032	8,195	18,234	13,166
Deferred tax	1,694	1,507	3,418	2,982
	12,726	9,702	21,652	16,148

The tax rate for the quarter is based on the geographic distribution of profit or loss before income taxes, the exchange rates applicable to profit or loss before income taxes in foreign currencies, non-deductible expenses, non-taxable income, and losses for which no tax benefit has been recognized.

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

Note 7. Financial Instruments

7.1 Classification

	As at June 29, 2024	As at Dec. 31, 2023
	\$	\$
Financial assets		
Amortized cost		
Cash and cash equivalents	10,767	19,842
Accounts receivable	201,825	188,321
Fair value through profit or loss		
Derivative instruments ⁱ⁾	1,473	141
Fair value through other comprehensive income		
Derivative instruments ⁱ⁾	3,951	106
Financial liabilities		
Amortized cost		
Bank overdraft	355	4,030
Accounts payable and accrued liabilities	320,701	330,412
Long-term debt ⁱⁱ⁾	211,303	210,520
Fair value through profit or loss		
Derivative instruments ⁱ⁾	1,981	2,270
Fair value through other comprehensive income		
Derivative instruments ⁱ⁾	252	4,155

i) Includes the current and non-current derivative instruments.

ii) Includes the current portion of long-term debt.

7.2 Fair value

The carrying values of all of the Corporation's financial instruments approximate their fair values, except for the following:

	As at June 29, 2024		As at December 31, 2023	
	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$
Long-term debt ⁱ⁾	211,303	208,548	210,520	208,666

i) Includes the current portion of long-term debt.

During the first six months ended June 29, 2024 and July 1, 2023, all of the Corporation's financial instruments, including derivative instruments, were classified as Level 2, and no financial instruments were transferred between levels 1, 2 and 3.

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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Note 8. Accounts Receivable

	As at June 29, 2024	As at Dec. 31, 2023
	\$	\$
Trade accounts receivable	194,545	180,226
Discounts receivable	3,128	4,709
Other receivables	4,152	3,386
	201,825	188,321

Note 9. Accounts Payable and Accrued Liabilities

	As at June 29, 2024	As at Dec. 31, 2023
	\$	\$
Trade payables and accrued expenses	210,531	219,208
Trade spending	71,340	58,797
Salaries and accrued vacation payable	38,299	51,922
Other	531	485
	320,701	330,412

Note 10. Shareholders' Equity**10.1 Dividend per share**

During the first six months of 2024, the Corporation declared and paid dividends totalling \$2.00 per share (\$1.20 per share during the first six months of 2023) to the holders of Class A and B shares.

10.2 Dividends paid to related parties

	First six months ended	
	June 29, 2024	July 1, 2023
	\$	\$
3346625 Canada Inc.	7,532	4,519
Key management personnel	48	28
	7,580	4,547

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

10.3 Accumulated other reserves

	Hedging reserve	Foreign currency translation reserve	Total
	\$	\$	\$
Balance as at December 31, 2023	(2,910)	76,687	73,777
Other comprehensive income (loss)	12,316	18,907	31,223
Transfer to non-financial assets ⁱ⁾	(4,778)	–	(4,778)
Balance as at June 29, 2024	4,628	95,594	100,222
Balance as at December 31, 2022	4,305	89,797	94,102
Other comprehensive income (loss)	(2,300)	(12,461)	(14,761)
Transfer to non-financial assets ⁱ⁾	(3,307)	–	(3,307)
Balance as at July 1, 2023	(1,302)	77,336	76,034

i) Transfer of cash flow hedge (gains) losses to non-financial assets.

Note 11. Additional Cash Flow Information

11.1 Change in non-cash operating working capital items

	First six months ended	
	June 29, 2024	July 1, 2023
	\$	\$
Accounts receivable	(9,442)	(17,760)
Inventories	(658)	(25,587)
Other current assets	1,619	1,733
Accounts payable and accrued liabilities	(19,648)	28,748
Other current liabilities	1,890	1,290
	(26,239)	(11,576)

11.2 Non-cash transactions

The following table presents the transactions that had no cash impact on financing and investing activities:

	First six months ended	
	June 29, 2024	July 1, 2023
	\$	\$
Unpaid acquisitions of property, plant and equipment at the beginning of the period	8,838	5,270
Unpaid acquisitions of property, plant and equipment at the end of the period	11,247	5,552
Unpaid acquisitions of intangible assets at the beginning of the period	287	470
Unpaid acquisitions of intangible assets at the end of the period	290	143
Net increase (decrease) in right-of-use assets	836	7,456
Net increase (decrease) in lease liabilities	801	8,561

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
(unaudited)

Note 12. Additional Lease Information

The following tables present additional information about leases:

	As at June 29, 2024	As at Dec. 31, 2023
	\$	\$
Right-of-use assets	42,490	43,740
Lease liabilities	47,089	47,831

	First six months ended	
	June 29, 2024	July 1, 2023
	\$	\$
Depreciation of right-of-use assets	2,603	2,628
Repayment of lease liabilities	2,147	2,234

Note 13. Contingencies

13.1 Proceedings and claims

In the normal course of business, the Corporation is exposed to various proceedings and claims. The Corporation assesses the validity of these proceedings and claims. Provisions are made whenever a penalty seems probable and the amount can be reliably estimated. Management believes that any settlement arising from these claims will not have a significant effect on the Corporation's consolidated financial position or profit or loss.

Note 14. Segment Information

The Corporation has determined that it has only one reportable operating segment. This single operating segment generates revenues from the sale of a wide range of products, including ready-to-drink beverages, fruit-based snacks, frozen juice concentrates and specialty food products as well as from rendering services related to the sale of these products.

Sales are attributed to the geographic segment based on the location where the Corporation has transferred control of the goods to the customer. The geographic segment of non-current assets and goodwill is based on the location of the assets.

14.1 Sales by geographic segment

	Second quarters ended		First six months ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
	\$	\$	\$	\$
Canada	290,876	269,520	556,761	512,100
United States	332,129	308,819	634,502	613,060
Other	1,663	1,096	3,248	1,586
	624,668	579,435	1,194,511	1,126,746

Notes to the Interim Condensed Consolidated Financial Statements

(tabular amounts are in thousands of Canadian dollars unless otherwise indicated)
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14.2 Certain non-current assets and goodwill by geographic segment

	As at June 29, 2024		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	292,773	250,459	543,232
Intangible assets	44,572	138,225	182,797
Goodwill	18,637	312,794	331,431

	As at December 31, 2023		
	Canada	United States	Total
	\$	\$	\$
Property, plant and equipment	277,876	222,945	500,821
Intangible assets	40,956	143,604	184,560
Goodwill	18,637	302,258	320,895

Note 15. Events After the Reporting Period

15.1 Business combination

On August 8, 2024, a 90%-owned U.S. subsidiary of the Corporation completed the acquisition of The Zidian Group, which operates Summer Garden Food Manufacturing ("Summer Garden"), for a cash consideration of US\$237,163,000, that was paid at the close of the transaction. This amount reflects US\$2,163,000 in preliminary adjustments related to working capital. The amount could be subject to additional adjustments related to working capital and other items once the final value is established. Moreover, a contingent consideration of up to US\$45,000,000 may be payable in various instalments over the next three years, should certain financial targets be achieved and other conditions met. The acquisition-related costs should total approximately US\$6,300,000.

Located in Boardman, Ohio, Summer Garden develops, manufactures and markets a wide range of premium sauces and condiments, including tomato and cream-based pasta sauces, BBQ sauces, dipping sauces and dressings.

Through this business combination, the Corporation is increasing its presence in the specialty food segment in the United States, is expanding its product offering, including national brand products, and is strengthening its presence in the North American market.

15.2 Long-term debt

On June 20, 2024, upon the signing of the Summer Garden acquisition agreement, the Corporation entered into an agreement to amend the Canadian credit facilities to raise the authorized amount of the revolving operating credit ("CA revolving credit") by \$250,000,000 to \$475,000,000. This agreement came into effect upon the closing of the Summer Garden acquisition. The financing-related costs should total approximately \$600,000.

Notes to the Interim Condensed Consolidated Financial Statements

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Note 16. Future Accounting Changes

16.1 IFRS 18 Presentation and Disclosures in Financial Statements

In April 2024, the International Accounting Standards Board (“IASB”) issued IFRS 18 *Presentation and Disclosures in Financial Statements* to replace IAS 1 *Presentation of Financial Statements*.

IFRS 18 introduces three sets of new requirements to improve companies’ reporting of financial performance and give investors a better basis for analyzing and comparing companies, namely:

- ♦ Improved comparability in the statement of profit or loss by introducing separate income and expense categories and requiring new subtotals;
- ♦ Enhanced transparency of management-defined performance measures by requiring explanations on these measures; and
- ♦ More useful grouping of information in the financial statements by providing guidance on how to organize information and whether to provide it in the primary financial statements or in the notes.

These changes apply to annual periods beginning on or after January 1, 2027.

The Corporation is currently assessing the estimated impact of this new standard on its consolidated financial statements.

16.2 Amendments to IFRS 9 and IFRS 7: Amendments to the classification and measurement of financial instruments

In May 2024, the IASB amended IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* to clarify the classification of financial assets and the settlement of financial liabilities using an electronic payment system. The amendments also introduce additional disclosures about investments in equity instruments designated at fair value through other comprehensive income and about financial instruments with contractual terms that could change the timing or amount of contractual cash flows based on the occurrence or non-occurrence of a contingent event.

These amendments apply to fiscal years beginning on or after January 1, 2026.

The Corporation is currently assessing the estimated impact of these amendments on its consolidated financial statements.